



**TESTIMONY OF  
STEPHEN FRAYNE  
SENIOR VICE PRESIDENT, HEALTH POLICY  
CONNECTICUT HOSPITAL ASSOCIATION  
BEFORE THE  
APPROPRIATIONS COMMITTEE  
Wednesday, December 9, 2009**

**Governor M. Jodi Rell's November 24, 2009 Deficit Mitigation Plan For Fiscal Year 2010**

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today on **Governor M. Jodi Rell's November 24, 2009 Deficit Mitigation Plan For Fiscal Year 2010.**

Connecticut's hospitals are among the finest in the nation. Access to the most skilled professionals and latest technology is expected by patients in our state, and Connecticut hospitals deliver. Providing care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round, hospitals are integral to the quality of life and health in our communities. Hospitals are among the largest employers in the state, supporting over 97,000 jobs and generating nearly \$13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of the local hospital. Unfortunately, the economic crisis is ravaging the health of our hospitals.

2008 was an extraordinarily difficult year. In 2008, Connecticut hospitals lost more than \$300 million due to under-reimbursement for Medicaid and SAGA patients. One of the traditional means hospitals use to make ends meet—non-operating (investment) income—more than disappeared, going negative for the first time ever in 2008. Instead of investments supporting operations, hospitals posted losses on those investments of over \$200 million. In addition, since the start of the recession, about 76,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14% of the state population.

The proposed deficit mitigation plan makes cuts that are deep and devastating to hospitals and the healthcare safety net. CHA's analysis indicates that the following proposed reductions would have an overall impact on hospitals totaling approximately \$77 million:

- a 5% reduction in Medicaid rates for hospitals, totaling approximately \$37 million; an additional \$7 million reduction would result from the 5% cut to the future benefit of moving the SAGA populations into Medicaid, anticipated in FY 2011;
- a 25% reduction to the Urban DSH Pool and DSH funding for Connecticut Children's Medical Center, totaling approximately \$11 million;
- the elimination of Non-Emergency Dental Services for Adults under Medicaid and SAGA, totaling approximately \$13 million;
- the suspension of payments for costs related to prenatal care for undocumented pregnant women, totaling approximately \$6 million; and
- the imposition of co-payments under Medicaid, totaling approximately \$3 million.

(OVER)

The Governor also has proposed actions that will restrict access to care, including freezing enrollment to the State-Administered General Assistance (SAGA) and Charter Oak Programs, and increasing co-payments in HUSKY B.

### **CHA strongly opposes these proposed cuts.**

We are dismayed by these proposed cuts. Congress, as part of the American Recovery and Reinvestment Act, provided Medicaid relief to the states in the form of an increase in the federal match rate. The expressed purpose of the relief was to prevent cuts to Medicaid. Connecticut's relief will total \$1.46 billion over the course of 27 months, resulting from an increase in the match rate from 50% to 61.59%. Pending as part of health reform is an extension of that relief for another six months, through June 30, 2011. If approved, Connecticut would receive an additional \$334 million in this biennium.

Even without the six month extension, **the \$1.46 billion additional federal Medicaid funding is enough to cover 100% of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide more than an extra \$200 million contribution to the general fund.** Sadly, not one cent of that extra \$1.46 billion is being used to help hospitals cover the increased burden they are experiencing because of the combined 18% increase in Medicaid and SAGA enrollment.

Given these facts, **no** cuts to Medicaid should be made.

### **CHA Needs Your Help with SAGA**

Last session, the Administration agreed to pursue a SAGA waiver that would convert the SAGA program to Medicaid, removing the cap on SAGA funding, increasing SAGA payments to providers, and saving the state approximately \$28 million per year. Unfortunately, even though we have been waiting since January 2004, the waiver is still not filed.

However, we do have before us a unique opportunity. Section 1331 of the Patient Protection and Affordable Care Act pending in the U.S. Senate would permit Connecticut to move SAGA into Medicaid effective January 1, 2011 by State Plan Amendment. I would encourage each member of the General Assembly to contact members of our Congressional delegation, particularly our Senators, and ask them to support this provision and change the date to January 1, 2010 so that it is consistent with the biennium budget you just passed.

Unfortunately, Connecticut hospitals find themselves with their backs up against the wall – needing your help more than ever.

Instead of cuts, let's work together to make it possible to move SAGA into Medicaid effective January 1, 2010 and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and coverage, and make another down payment on bringing provider rates closer to covering the cost of care. In other words, let's help those who need it most, support rather than burden those providing the help, while at the same time contributing significantly to balancing the state budget.

Thank you for your consideration of our position.